

## Recent Indicators Send Mixed Signals About Rural Economic Performance

*Recent declines in rates of employment and population growth point to a possible slowdown in the favorable economic conditions prevailing in rural areas during much of the current decade. However, falling unemployment levels, growing per capita incomes, and rising weekly earnings for rural workers indicate the continuation of a positive economic climate. Continuing long-term trends, rural areas lag urban areas in levels of earnings and income, and exhibit more poverty; in some cases, the gap may be widening. Within rural areas, a disproportionate share of minorities remain economically disadvantaged, although some signs of improving socioeconomic conditions are beginning to appear. According to most indicators, economic disadvantage is especially pronounced in rural areas with large concentrations of minority population.*

**T**his issue of *Rural Conditions and Trends (RCaT)* provides both a capsule view of current socioeconomic conditions and trends in rural areas across the country and a special look at the socioeconomic status of rural minorities. Many articles update analysis reported in the 1997 socioeconomic conditions issue (*RCaT*, Vol. 8, No. 2) by addressing topics such as population and migration, employment, unemployment, household income, farm household income, hired farm labor, elderly, and housing. Also returning to this issue are articles reporting current trends for per capita earnings, personal income, transfer payments, and wage levels by residence. Articles new to the issue focus on children's well-being and household food security and hunger.

Two articles in this issue rely on special analytical tools developed either within ERS or jointly by ERS and other Federal agencies. The article on farm household income uses a new farm typology to classify U.S. farms into eight different farm types based on farm sales and whether or not the farm is a "family farm." Data for the typology come from the Agricultural Resources and Management Study (ARMS) conducted by ERS and the National Agricultural Statistics Service (NASS). The article on household food security in rural and urban areas presents a new indicator developed jointly by USDA's Food and Nutrition Service and the Department of Health and Human Services (HHS) to assess and monitor food insecurity and hunger in the United States. Also, for the first time in *RCaT*, data from ERS's Rural Manufacturing Survey are used to examine economic conditions in certain rural areas. All these measures provide important new research tools for future analysis by ERS and its customers in the broader research arena.

In addition to examining the nature and direction of current rural trends during the 1990's, this issue examines the socioeconomic conditions and well-being among rural minorities and rural counties where minorities represent a substantial share of the population. The share of the national population whose racial/ethnic origin is other than White is growing. According to some recent demographic projections, today's minorities will comprise a majority of the U.S. population in future decades if current trends continue.

National attention on the topic of race and ethnicity once again entered the policy limelight with the establishment of a Presidential Initiative on Race in 1997. As a result, the Council of Economic Advisers and the National Research Council were asked to spearhead a research effort to assess the current situation within a historical context and identify the most pressing problems. The Council of Economic Advisers has just released a chart-book, *Changing America*, which documents national differences in socioeconomic well-being by race and ethnicity (Council of Economic Advisers, *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin*, For the President's Initiative on Race, Sept. 1998). However, researchers and policymakers alike have often overlooked the economic and social conditions of rural minorities, who accounted for approximately 20 percent of the rural population in 1990. With historically higher rates of poverty and unemployment and lower levels of education, these minorities, nonetheless, represent a disproportionate share of the disadvantaged segment of rural population.

The first two articles in the issue provide a backdrop for addressing the topic of rural minorities. One article focuses on the demographic characteristics of minorities and how they relate to socioeconomic status. The other article presents a new ERS typology of rural minority counties that delineates counties with high concentrations of minority population and describes their spatial patterns. Other articles directly address the minority topic, including an analysis of the job situation in rural counties where Blacks are at least one-third of the population and an examination of socioeconomic conditions among elderly minorities. In addition to reporting general conditions and trends, all of the articles analyze either a specific facet of socioeconomic well-being for different rural minorities or the

conditions prevailing in the 333 rural counties where minorities constitute at least one-third of the population.

### **Economic Indicators Paint a Mixed Picture for Rural Areas**

Compared with conditions in the 1980's, rural socioeconomic conditions during the mid-1990's are favorable (table 1). Recent economic indicators, however, are sending a decidedly mixed message about economic changes in rural areas. On one hand, the employment growth in nonmetro areas dropped modestly below the metro rate beginning in 1995, a pattern that has persisted over the last 13 quarters. Furthermore, this slight decrease in nonmetro employment growth extends across all regions and county types, suggesting the possibility of a shift in economic activity toward metro areas. During the same period, the pace of population growth slowed slightly, falling by one-third between 1994 and 1995. Although rural earnings per job grew very slightly during 1995-96, a significant rural-urban earnings gap persisted and even widened. Similarly, since 1989, rural poverty rates have remained unchanged and continue to be higher than metro poverty rates.

On the other hand, rural unemployment rates have continued to fall, per capita incomes grew faster in rural than urban areas, and average weekly earnings for rural workers showed a gain during 1996-97, the largest increase since the end of the last recession. Another sign of favorable economic times appears in a steady drop in growth in nonmetro and metro per capita transfer payments to individuals during the 1990's, which is the usual response to a strong economy. Per capita transfers for the major public assistance programs—food stamps, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC)—either declined rapidly or grew slowly during 1994-96, but transfer payments for “other income maintenance programs,” including programs such as general assistance, emergency assistance, and Earned Income Tax Credit (EITC), grew rapidly. The changes in public assistance programs, however, may be a response to policy and program changes as much as to the economic situation.

### **. . . As Well As for Rural Minorities**

Nearly all of the main economic indicators used to examine differences in socioeconomic status and well-being reveal wide gaps in the levels of poverty, unemployment, earnings, and income sources between rural minorities and Whites (see box for definition of minority status). For example, the rural minority poverty rates were nearly three times as high as those of rural Whites and substantially higher than those of urban minorities. The levels of poverty differed among rural minorities as well, with Blacks having the highest rate, followed by rural Native Americans and rural Hispanics. Some of the highest poverty rates (more than 40 percent) were found among rural minority children. Black unemployment rates have typically been more than double White unemployment rates. The median income of rural Black households was 56 percent of the median for rural White households in 1996, while median incomes of rural Hispanic and Native American households were about 65 percent that of rural White households. Minorities also have higher levels of food insecurity and hunger.

On a more positive note, growth in average weekly earnings for rural Blacks registered an increase of 5.6 percent since 1990 and 2.4 percent between 1996 and 1997. Although the gap between Black and White earnings remains large, the earnings gap between urban and rural minorities has narrowed significantly—especially for Hispanics—as minorities have been able to make educational and occupational gains. The entry into the labor force of increasing numbers of minority youth may further help to reduce earnings gaps.

### ... And Areas with Significant Minority Concentrations

ERS delineated counties with significant representations of minority population to help depict the diversity of rural economic well-being and current economic conditions. In over 300 rural counties, minorities made up one-third or more of the population in 1990 (fig. 1; see definitions box, p. 8). An interesting feature of these counties is a geographic concentration or clustering by racial and ethnic groups, which serves to heighten the minority presence in the specific subregions where they are located. Although these counties rep-

Table 1

#### Indicators of nonmetro economic performance

*Socioeconomic conditions in the mid-1990's show signs of continuing improvements, although rural-urban gaps persist*

Indicator	Performance	Indicator	Performance
	Percent		Percent
Annual population change:		Annual employment change:	
1990-97	0.94	1990-97	1.4
1980-90	.30	1980-90	.9
Annual net migration rate:		Annual unemployment rate:	
1990-97	.57	1997	5.2
1980-90	-.28	1995	5.7
		1993	6.6
Poverty rate:		Annual change in real per capita income:	
1996	15.9	1995-96	2.4
1994	16.4	1991-96	1.7
1989	15.7	1989-91	-.2
	1996 dollars	Annual change in real transfer payments: <sup>1</sup>	
Per capita income:		1994-96	2.45
1996	18,527	1991-94	3.43
1991	17,009	1989-91	5.56
1989	17,091		
Per capita transfer payments: <sup>1</sup>		Annual change in earnings per nonfarm job:	
1996	3,893	1995-96	.1
1991	3,355	1991-96	.3
1989	3,011	1989-91	-1.3
			1996 dollars
Per capita earnings:		Rural-urban gap in per capita income:	
1996	11,224	1996	7,417
1991	10,366	1991	6,850
1989	10,612	1989	7,060
Earnings per nonfarm job:		Rural-urban gap in earnings per nonfarm job:	
1996	22,492	1996	9,225
1991	22,204	1991	8,381
1989	22,782	1989	8,073
	1997 dollars		1997 dollars
Average weekly wage and salary earnings:		Rural-urban gap in average weekly earnings:	
1997	436	1997	114
1990	422	1990	125

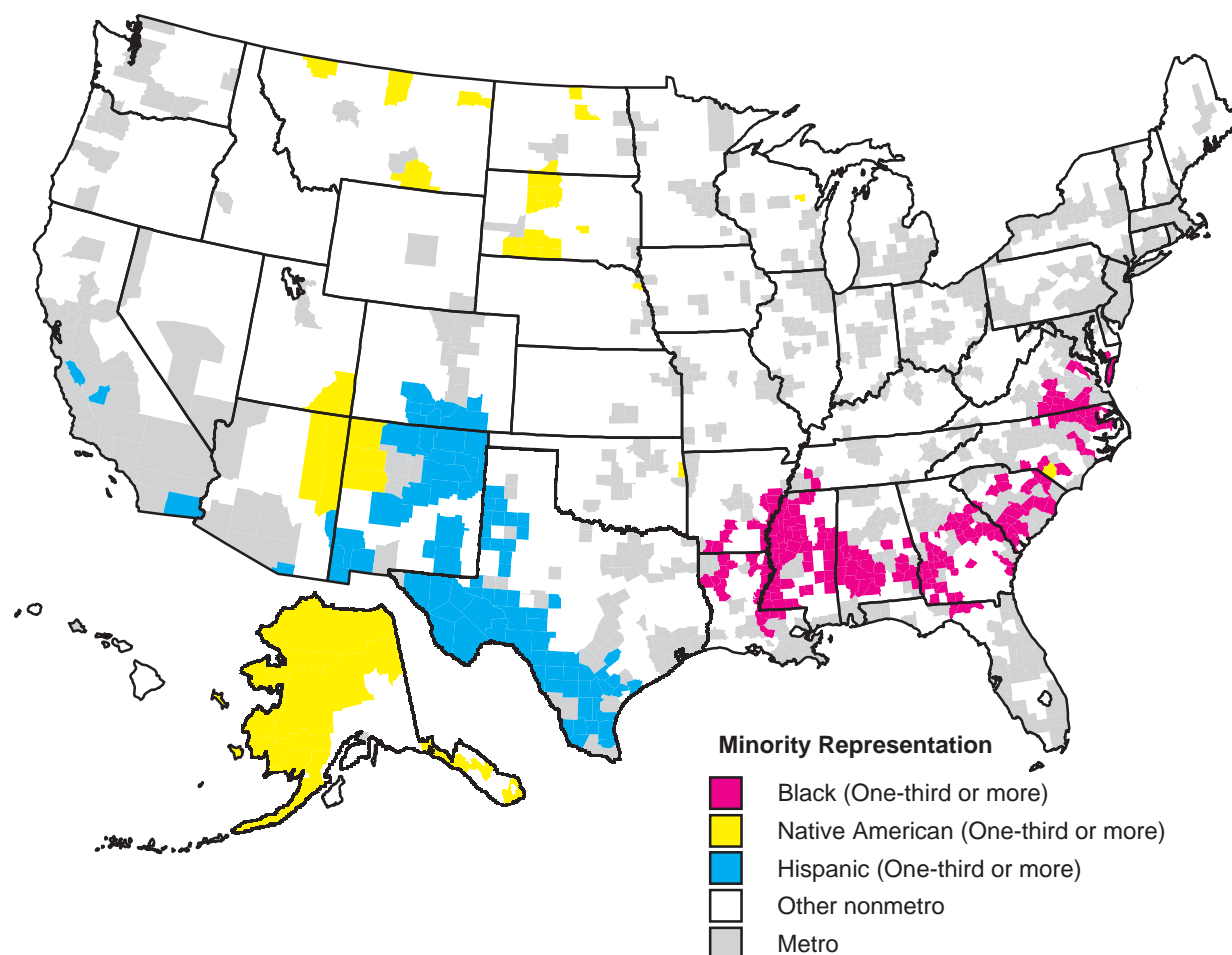
<sup>1</sup>Transfer payments to individuals that account for 96 percent of all transfers.

Source: Other articles and appendix tables in this issue of *Rural Conditions and Trends*, Economic Research Service.

Figure 1

**Nonmetro minority counties, 1990**

*Blacks, Native Americans, or Hispanics make up one-third or more of the population in 333 nonmetro counties*



Source: Calculated by ERS using data from the 1990 Census of Population, Bureau of the Census.

resented only 12 percent of total nonmetro population, they accounted for 45 percent of the rural minority population.

As part of the overall rural rebound during the 1990's, minority counties shared in higher rates of population growth during the 1990's, with inmovement of population occurring in most counties. However, the factors underlying the population growth varied among the Black, Native American, and Hispanic counties.

In comparison with other nonmetro counties, all groups of nonmetro minority counties exhibited a disproportionate degree of economic disadvantage, evidenced by high levels of poverty and unemployment and low levels of income and earnings. Furthermore, economic disadvantage tends to be more pronounced in counties where a minority group constitutes a majority of the population. For example, predominantly Black counties in which the manufacturing industry has been an important source of jobs in the past are now finding it difficult to compete in the face of new technology and the demand for more highly skilled workers.

This issue of *Rural Conditions and Trends* provides a broad information base to better understand the effects of economic trends and policies on rural people, their communities, and their local economies. In addition, the issue reports much-needed information

### Definitions

Based on county census data, the typology of minority concentration areas classifies counties according to three levels of minority representation in the population, less than one-third (low), one-third to one-half (substantial), and more than one-half (predominant) for each of three minority groups—Black, Native American, and Hispanic. The combined substantial and predominant groups are referred to simply as Black, Native American, and Hispanic counties, and “other nonmetro counties” refer to counties with low minority populations. For the sake of simplicity, articles using micro data sources like the Current Population Survey use the terms, “Whites,” “Blacks,” and “Hispanics” to refer respectively to non-Hispanic Whites, non-Hispanic Blacks, and Hispanics, regardless of race.

on racial and ethnic disparities in rural areas, which provides the basis for an informed discussion about the problems faced by people of different races and ethnic backgrounds in rural America. There is good news here with promising signs of improvements for rural minorities since the 1980's. But far too many rural areas continue to be characterized by disparities among minority groups. A key challenge for policymakers will be to use the information presented here to find ways that will enhance the economic opportunity and quality of life for all rural Americans. The most successful rural policies and programs will be those that recognize the persistent problems as well as limitless possibilities associated with the racial/ethnic diversity of rural areas. [Peggy J. Cook, 202-694-5419, [pcook@econ.ag.gov](mailto:pcook@econ.ag.gov)]